



NATIONAL CONSUMERS LEAGUE

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January 20, 2009

Regulation Comments, Chief Counsel's Office
Office of Thrift Supervision
Attention: ID OTS-2008-0012.
1700 G Street, NW.
Washington, DC 20552

Re: Docket ID OTS-2008-0012

The National Consumers League welcomes the opportunity to provide comments in response to the proposed Interagency Appraisal and Evaluation Guidelines.

We share the concerns of many other commentators and consumers about the problems inherent in the methods and biases built into the system of home appraisals.

During the height of the housing boom, automated valuation systems were used by the lenders to make appraisals quick and easy to deliver. In addition, we know from talking with appraisers that there was pressure placed upon the appraisal industry to overvalue properties in order to meet the valuation requirements of the lenders and sellers.

As your agency looks to clean up the problems and arrive at a set of "best practices" that will help protect against a repeat of the housing bubble and collapse over the past decade, we strongly recommend that rationality related to real house values – not simply what someone will pay because the house next door has sold for a lot of money – known as "comparables" or "comps," be restored in the system of appraising homes in this country. The underlying value of the home and the property must be part of this equation.

We need to return to a system where appraisals are conducted by licensed, trained, independent, professional appraisers, with appraisers were required to assess the proper value of a property through multiple methods, generally market comparables and the cost approach. Both values are needed and they can be reconciled, but there must be some reality related to replacement value put back into the appraisal system and the cost approach helps to do that.

NCL respectfully submits these comments to urge federal regulators to restore rationality and ensure a more secure housing market. We believe requiring the cost approach as an objective benchmark for valuations will help to do that, and urge as well that federal regulators promote the use of and insist upon the use of licensed, independent appraisers.

(continued)

Thank you for your attention to our concerns.

Sincerely,

Sally Greenberg
Executive Director